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Board of County Commissioners Agenda Request 13

Date of Meeting: November 27, 2001

Date Submitted: November 22, 2001

To: Honorable Chairman and Members of the Board

From: Parwez Alam, County Administrator
Vincent Long, Assistant County Administrator

Subject: Adopt Staff Recommendations on County Participation in the Targeted Business Pilot Program

STATEMENT OF ISSUE

This agenda item provides information on the Targeted Business Pilot Program adopted by the City Commission on October 10, 2001 and seeks Board direction on County participation in the pilot program.

BACKGROUND

On June 6, 2001 and July 3, 2001, the City conducted target issue meetings with the City Commission on economic development. At these meetings, the City Commission approved the concept of a business inducement pilot program and directed City staff to refine the Program for City Commission approval. On August 21, 2001, the City Commission authorized the implementation of the Program, but raised concerns that the scoring system placed greater emphasis on the number of new jobs created with an annual income greater than the current Leon County median income. On October 10, 2001, the City Commission approved the Program as described below.

ANALYSIS

The City of Tallahassee's Targeted Business Pilot Program is intended to attract targeted business to Tallahassee (Attachment #1 - list of targeted industries) which pay at or above existing area salaries. The incentives offered to new and existing (expanding) businesses under this program are in the form of:

(1) reimbursement of up to 100% of all City of Tallahassee development fees and land use fees and utility connection charges, and

(2) reimbursement of up to 100% of an amount equivalent to the City ad valorem taxes paid on land, improvements, and tangible personal property for up to 10 years. Expansion projects would qualify for only the incremental increase in ad valorem taxes.

The amount of the above reimbursements awarded to a qualifying business is based on a scoring system (below) evaluated by a review committee made up of representatives of City staff and the Economic Development Council. The final approval and award was granted by the City Commission. This program is being implemented as a three-year pilot program that will be evaluated on an annual basis.

Application Process / Payment Method

1. A business submits a preliminary application to determine eligibility when development/building permits are filed. For projects already under construction, the preliminary application must be filed prior to receipt of the first

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certificate of occupancy for the building.

2. If the preliminary application is approved, a Reimbursement Agreement with the City is executed to finalize the inducement and performance requirements.
3. Twelve months after receiving its Certificate of Occupancy, the business can file its first application for reimbursement.
4. Reimbursement of development fees (up to 100%) are paid in lump sum.
5. Annual payments of the funds that are equivalent to the City ad valorem taxes paid (up to 100%) will be made one year in arrears over a period of time up to ten (10) years (Attachment #2, Business Profile Scoring Sheet). The amount of award is subject to reduction if performance measures are not met.
6. Annual performance reports are submitted to the City of Tallahassee.

* For further information on the application process see Attachment #2

Scoring System / Award Approval

1. As a screening mechanism, prior to being admitted into the scoring phase of the evaluation process, businesses must provide with their application audited financial statements for the previous two years to evidence that they are a strong, growing company in which the City should invest.
2. A business profile score for the application is determined on a rating system (Attachment #2-Business Profile Scoring System) that gives points to the following categories:
 - A) Number of employees – 25 Points
 - B) Salary levels – 25 Points
 - C) Amount of capital investment – 15 Points
 - D) Location in designated target areas – 10 Points
 - E) Environmental sensitivity of project design/redevelopment achievements – 10 Points
 - F) Local business promotion – 10 Points
 - G) Corporate citizenship – 5 Points
3. Additionally, the Economic Development Council will prepare an economic impact analysis to determine whether the project shows a return on investment to the community.
4. A committee made up of representatives from City staff and the Economic Development Council, as well as the Treasurer-Clerk, will score the applications and forward its recommendation to the City Commission.
5. The City Commission will make a final determination on the award of inducements under this program.
6. The program is a three-year pilot program with annual evaluations. This will provide an opportunity to

eliminate the program if it proves ineffective or to modify it to improve results based on experience in the Tallahassee market.

* For further information and a more detailed breakdown of the scoring system see Attachment #3

County Participation

This item is presented to determine the Board's interest in County participation in the pilot program. Should the Board decide to participate, staff offers the following recommendations.

1. Reimbursement of County Ad Valorem Taxes. As previously stated, the inducements for qualifying businesses under this program include a reimbursement of a percentage of up to 100% of City ad valorem taxes. It is believed that most qualifying businesses will locate within the city limits. As such, these businesses would otherwise be responsible to pay both City and County ad valorem taxes. Under this program, the City would reimburse a qualifying business a percentage of their 3.2 mills for up to ten years. However, it should be noted that the City will continue to receive many fees for services from such businesses over that period of time and thereafter. The County is very different in this respect. An inducement based on a reimbursement of a percentage of the County's ad valorem millage rate of 8.57 mills would not only represent a much greater loss than that of the City under this program, but is the County's primary source of revenue from this development.

Staff Recommendation: Staff recommends that the County contribute a "dollar for dollar" match of the City's reimbursement of ad valorem taxes. Should a qualifying business locate in the unincorporated area of the County, staff recommends that the County reimbursement dollar amount be calculated using the City's ad valorem millage reimbursement percentage.

2. Reimbursement of County Development Fees. As stated above, it is believed that most qualifying businesses will locate within the city limits. As such, these businesses are subject only to City development fees and, under this program, a reimbursement of a percentage of City development fees. However, should a qualifying business locate outside city limits, staff recommends County participation in the reimbursement of a percentage of County development fees based on the program's scoring criteria.

Staff Recommendation: Staff recommends County participation in the reimbursement of a percentage of County development fees based on the program's scoring criteria.

3. Process / Approval. In the area of process and approval, staff finds several areas which require Board direction.

Staff Recommendation: Staff recommends the following actions be adopted by the Board to reflect appropriate County participation in process and review of targeted businesses seeking consideration under this program:

- A. Amend review committee structure to include the County Administrator or his designee.
- B. Require that review committee recommendations are placed on the Board's Consent Agenda for final determination of award of County inducements under this program.
- C. Amend application to require annual performance reports be submitted to the County as well as the City.
- D. Require Economic Development Council to make a yearly report to the Board on the effectiveness of the three-year pilot program to be agendaed for a regularly scheduled meeting of the County Commission.

OPTIONS

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1. Adopt staff recommendations as indicated above and direct the County Administrator to work with the City Manager to incorporate the Board's actions in the Targeted Business Pilot Program.
2. Do not adopt staff recommendations as indicated above and direct the County Administrator to work with the City Manager to incorporate the Board's actions in the Targeted Business Pilot Program.
3. Take no further action on this issue.
4. Board Direction.

RECOMMENDATION**Option #1****Attachments:**

#1 - List of Targeted Industries

#2 - Application Process

#3 - Business Profile Scoring System

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Board of County Commissioners
Tuesday, November 27, 2001 Meeting - Follow-Up Memo

Date: Wednesday, November 28, 2001
To: Honorable Chairman and Members of the Board
From: Parwez Alam, County Administrator
Subject: Follow-up to County Commission Meeting of November 27, 2001

Item 13 Adopt Staff Recommendations for County Participation in the Targeted Business Pilot Program (Administration - Vincent Long)

Commissioner Grippa moved, seconded by Commissioner DePuy, to adopt the City's Targeted Business Pilot Program as presented with a percentage match rather than a dollar for dollar match. Commissioner Thael made a substitute motion, seconded by Commissioner Sauls, to support Option 1: Adopt staff recommendations and direct the County Administrator to work with the City Manager to incorporate the Board's actions in the Targeted Business Pilot Program.

Reimbursement of County Ad Valorem Taxes:

Staff recommends that the County contribute a "dollar for dollar" match of the City's reimbursement of ad valorem taxes. Should a qualifying business locate in the unincorporated area of the County, staff recommends that the County reimbursement dollar amount be calculated using the City's ad valorem millage reimbursement percentage.

Reimbursement of County Development Fees:

Staff recommends County participation in the reimbursement of a percentage of County development fees based on the program's scoring criteria.

Process / Approval:

Staff recommends the actions (see Agenda item) be adopted by the Board to reflect appropriate County participation in process and review of targeted businesses seeking consideration under this program:

The motion carried 7-0.